1		
2	Andrew H. Wilson, SBN 063209 WILSON, RYAN & CAMPILONGO 235 Montgomery Street, Suite 450	
3	San Francisco, California 94104 (415) 391-3900 (414) 954-0938 (fax)	
4		
5	Michael Lee Hertzberg 740 Broadway, 5th Floor	
6	New York, New York 10003 (212) 982-9870	RECEIVED
7	Laurie J. Bartilson, SBN 139220	NOV 1 7 1994
8	BOWLES & MOXON 6255 Sunset Boulevard, Suite 2000 Hollywood, CA 90028	HUB LAW OFFICES
9	(213) 953-3360 (213) 953-3351 (fax)	
10		
11	Attorneys for Plaintiff CHURCH OF SCIENTOLOGY INTERNATIONAL	
12	SUPERIOR COURT OF THE	COLUMN OF CALLEODNIA
13	SUPERIOR COURT OF THE	STATE OF CALIFORNIA
14	FOR THE COUNT	Y OF MARIN
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16 17 18	for-profit religious corporation, Plaintiff, vs. GERALD ARMSTRONG; DOES 1 through) PLAINTIFF'S MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT OF MOTION FOR SUMMARY ADJUDICATION OF THE FOURTH, SIXTH AND ELEVENTH CAUSES OF ACTION OF PLAINTIFF'S SECOND AMENDED COMPLAINT
16 17 18 19	for-profit religious corporation, Plaintiff, vs.) PLAINTIFF'S MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT OF MOTION FOR SUMMARY ADJUDICATION OF THE FOURTH, SIXTH AND ELEVENTH CAUSES OF ACTION OF PLAINTIFF'S SECOND AMENDED
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MEMORANDUM OF POINTS AND AUTHORITIES

I. PRELIMINARY STATEMENT

In December, 1986, plaintiff Church of Scientology
International ("the Church" or "plaintiff") sought to end a long period of litigation with former Church member Gerald Armstrong ("Armstrong" or "defendant"). Armstrong's lengthy campaign was ended, or so plaintiff thought, when he entered into a confidential Settlement Agreement (the "Agreement") with plaintiff in 1986. [Sep.St. 1.] The terms of the Agreement required Armstrong not merely to end his own litigation against plaintiff, but among other things, also required Armstrong to refrain from aiding others in litigation, to return to the Church the documents which he had stolen and all copies of them, to refrain from discussing with third parties his experiences with the Scientology religion, and to keep confidential all terms of the Agreement itself. In exchange for his promises, Armstrong received \$800,000 from the Church. [Sep.St.No. 7-8.]

The Agreement was signed by Armstrong, on videotape, after he consulted with at least three separate attorneys. [Sep.St.No. 5.] At the time, Armstrong stated to the Church's attorney before a video camera and live witnesses, that he fully understood the Agreement, and that he was signing it of his own free will. [Sep.St.No. 6.]

The Church has fully performed all of its obligations

All references to evidence are to the Separate Statement of Undisputed Facts, concurrently filed, which provides, by number, a full reference to the evidence in support of this motion. References will be made to "Sep.St.No. __" for "Separate Statement of Undisputed Facts, Fact Number __."

pursuant to the Agreement. [Sep.St.Nos. 9-10.] The facts are undisputed, however, that Armstrong has breached the Agreement repeatedly, as set forth in detail in the Second Amended Complaint. Many of those breaches involved disclosures by Armstrong about his alleged experiences in and with Scientology, which paragraph 7(D) of the Agreement provides entitles CSI to liquidated damages. With this motion, CSI seeks summary adjudication that it is entitled to the payment by Armstrong of liquidated damages in the aggregate amount of \$150,000, for three of the admitted breaches of the Agreement which are undisputed:

- In August, 1991, Armstrong provided a declaration to litigants suing the Church which purports to describe his experiences with the Church of Scientology [Second Amended Complaint ("Am.Cmplt."), Fourth Cause of Action];²
- In May, 1992, Armstrong provided a declaration to still more anti-Church litigants which claimed to authenticate an earlier affidavit, prepared by Armstrong, which described Armstrong's alleged experiences with the Church of Scientology [Am.Cmplt., Eleventh Cause of Action]; and
- In March, 1992, Armstrong provided interviews to various media, including, inter alia, Cable News Network (CNN) and The American Lawyer, in which he discussed, inter alia, his experiences with the Church of Scientology [Am.Cmplt., Sixth Cause of Action].

The operative complaint herein is the Second Amended Complaint, which consolidated two separate complaints by order of the Court and was filed and served on April 5, 1994. [Request for Judicial Notice, Ex. F.] Armstrong has never answered this complaint, and is in clerk's default. [Request for Judicial Notice, Ex. G.]

Armstrong does not contest the facts which comprise these breaches; indeed, he has admitted that he did each of the actions which plaintiff alleges. Nor does he contest that the actions are breaches of the written agreement. Throughout this litigation, Armstrong has argued solely that, although he received full and substantial consideration from the Church, he should be excused from his performance of the contract.

Armstrong's central argument has been that, in his view, the contract violated "public policy" because it interfered with his First Amendment rights, and because his lawyer had improperly pressured him to sign the Agreement. Armstrong has listed a large panoply of "affirmative defenses," all of which were argued extensively both to Judge Sohigian and on appeal. After discarding Armstrong's First Amendment argument, noting that "[a]lthough Armstrong's 'freedom of speech is affected, it is clear that a party may voluntarily by contract agree to limit his freedom of speech," the court of appeal "decline[d] any extended discussion" of Armstrong's remaining "shotgun-style" arguments, and found that he was incapable of bearing his burden of demonstrating why the agreement should not be enforced.

[Sep.St.No. 11, 12, 13, 14.]

Armstrong raised these arguments early in the litigation, when the Church sought a preliminary injunction, arguing unsuccessfully to both the trial court and the court of appeal that his list of accusatory affirmative defenses should negate his contractual obligations. Just as the court of appeal rejected Armstrong's lengthy list of complaints about the contract, finding that the Church could, indeed, enforce the

Agreement by means of preliminary injunction, so must this Court reject those same tired arguments when they are offered as excuses for Armstrong's repeated and deliberate breaches of the agreement.

With no facts in dispute, interpretation of the meaning and effect of the contractual provisions which provide the Church with a remedy for these breaches is a matter of law for the Court, and the Fourth, Sixth and Eleventh Causes of Action may be adjudicated in the Church's favor on a motion for summary adjudication.

II. STATEMENT OF FACTS

A. The Settlement Agreement

In December, 1986, the Church entered into the Agreement with Armstrong. The Agreement provided for a mutual release and waiver of all claims arising out of a cross-complaint which defendant Armstrong had filed in Church of Scientology of California v. Gerald Armstrong, Los Angeles Superior Court No. C420153. The Agreement contains various provisions designed to guarantee that new actions were not spawned or encouraged by the conclusion of the old one. In particular, with respect to the causes of action at issue in this motion, paragraph 7(D) provides that Armstrong: (1) would not create or publish, or assist another in creating or publishing, any media publication or broadcast, concerning information about the Church of

The signatories to the Agreement were Gerald Armstrong and the Church of Scientology International, by its President, Heber Jentzsch. [Sep.St.Nos. 1, 2.] Mr. Armstrong's signature was witnessed by JoAnn Richardson and Michael Sutter, and the Agreement was signed with approval as to form and content by Mr. Armstrong's attorney, Michael Flynn. [Sep.St.Nos. 3, 4.]

Scientology, L. Ron Hubbard, or any other persons or entities released by the Agreement; (2) would maintain "strict confidentiality and silence" with respect to his alleged experiences with the Church or any knowledge he might have concerning the Church, L. Ron Hubbard, or other Scientology-related entities and individuals; (3) would not disclose any documents which related to the Church or other identified entities and individuals; and (4) would pay to the Church \$50,000 in liquidated damages for each disclosure or other breach of that paragraph. Other paragraphs in the Agreement restricted

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Paragraph 7(D) provides, in relevant part: "Plaintiff [Armstrong] agrees never to create or publish or attempt to publish, and/or assist another to create for publication by means of magazine, article, book or other similar form, any writing or to broadcast or to assist another to create, write, film or video tape or audio tape any show, program or movie, or to grant interviews or discuss with others, concerning their experiences with the Church of Scientology, or concerning their personal or indirectly acquired knowledge or information concerning the Church of Scientology, L. Ron Hubbard or any of the organizations, individuals and entities listed in Paragraph 1 [Armstrong] further agrees that he will maintain strict above. confidentiality and silence with respect to his experiences with the Church of Scientology and any knowledge or information he may have concerning the Church of Scientology, L. Ron Hubbard, or any of the organizations, individuals and entities listed in Paragraph 1 above. [Armstrong] expressly understands that the non-disclosure provisions of this subparagraph shall apply, inter alia, but not be limited, to the contents or substance of his complaint on file in the action referred to in Paragraph 1 hereinabove or any documents as defined in Appendix "A" to this Agreement, including but not limited to any tapes, films, photographs, recastings, variations or copies of any such materials which concern or relate to the religion of Scientology, L. Ron Hubbard, or any of the organizations, individuals, or entities listed in Paragraph 1 above... [Armstrong] agrees that if the terms of this paragraph are breached by him, that CSI and the other Releasees would be entitled to liquidated damages in the amount of \$50,000 for each such breach. All monies received to induce or in payment for a breach of this Agreement, or any part thereof, shall be held in a constructive trust pending the The amount of outcome of any litigation over said breach. liquidated damages herein is an estimate of the damages each (continued...)

Armstrong's ability to provide voluntary aid or advice to others litigating against the Church.⁵

The Church had good reason for negotiating these particular clauses with Armstrong. In addition to his own litigation, Armstrong fomented significant additional litigation against the Church and other Churches of Scientology, stirring up enmities of other former members. Moreover, Armstrong became involved in plot after clandestine plot to take over or even destroy his former religion. [Am.Compl., ¶ 3.]

Armstrong received substantial consideration from the Church pursuant to the settlement agreement. Indeed, he boasted to the media that he received \$800,000, a figure which is uncontested.

[Sep.St.No. 7, 8.]

B. Armstrong's Willing Participation in the Settlement Process

At the time of the settlement, the Church had little reason to trust Armstrong. Consequently, Church counsel insisted that Armstrong execute the Agreement on videotape, before several witnesses and a notary public, with his own lawyer present, in order to ensure that Armstrong would not later attempt to invalidate the Agreement through the subterfuge of claims of duress or the like. During the videotaping, a jovial and relaxed Armstrong joked with his counsel, and, in a light-hearted mood, signed the Agreement. Armstrong engaged in the following

^{25 4(...}continued)
party would suffer in the event this Agreement is breached. The
reasonableness of the amount of such damages are hereto
acknowledged by [Armstrong]."

See specifically $\P\P$ 7(H), 7(G), 10, 7(D), 18(D), 20 of the Agreement. [Exhibit B to Sep. St.]

colloquy with Church counsel Larry Heller at that time:

HELLER: O.K. Ah, Mr. Armstrong, I'm going to ask you to sign three documents, ah, a Mutual Release of All Claims and Settlement Agreement, and two separate affidavits. Prior to doing so, however, I would like to ask you some questions with regard to those documents, um-hm, excuse me, which I would like you to answer freely and honestly, if you would. Ah, first of all, have you had a chance to, ah, completely and comprehensively review and read these documents?

ARMSTRONG: Yeah.

HELLER: O.K. Have you had a chance to discuss these documents with your attorney, Mr. Flynn?

ARMSTRONG: Yes.

HELLER: Has Mr. Flynn explained these documents as well as the legal and factual ramifications to you, legal and practical ramifications to you to your satisfaction?

ARMSTRONG: Uh, I think so, yes.

HELLER: O.k. Well, do you have any question of that whatsoever?

ARMSTRONG: No, I have no current questions about it.

HELLER: O.k. Very good. You are going to sign these of your own free will?

ARMSTRONG: Yes.

HELLER: O.k. You are not suffering from any duress or coercion which is compelling you to sign these documents?

ARMSTRONG: No.

HELLER: All right. You are not presently under the influence of alcohol or any medication, prescription or otherwise, which would impede your ability to comprehend the legal and factual intent of these documents?

ARMSTRONG: No.

[Sep.St.No. 6.] Armstrong has also admitted that, prior to signing the Agreement, he consulted not just Flynn, but at least two other lawyers about the Agreement. [Sep.St.No. 5.]

C. Armstrong's Breaches of Paragraph 7(D) of the Agreement

1. Armstrong Violated The Agreement By Providing A
Declaration About His Experiences With The Church And
Additional Documents To Anti-Church Litigants Vicki
And Richard Aznaran

Vicki and Richard Aznaran ("the Aznarans"), are former

Church members who were actively engaged in litigation against

the Church and others in 1991. [Sep.St.No. 15.] In June, 1991,

the Aznarans discharged their attorney, Ford Greene, and retained

Joseph A. Yanny to represent them.

While counsel for the Aznarans, Yanny hired Armstrong, in Yanny's own words "as a paralegal to help [Yanny] on the Aznaran case." [Sep.St.No. 16.] Yanny was well aware that Armstrong was prohibited from this conduct by the Agreement: Yanny was one of the attorneys representing the Church at the time that the Agreement was made. Thereafter, in July, 1991, Yanny was disqualified from his representation of the Aznarans by the Court sua sponte, because Yanny had formerly acted as general counsel for the Church and other related entities, thus rendering his appearance on behalf of the Aznarans "highly prejudicial" to the In the same order, the Court reinstated Ford Greene as the Aznarans' counsel. Armstrong immediately began working for Ford Greene. Indeed, Greene pressured the Aznarans to pay Armstrong a monthly stipend for the services which he was supposedly providing to Greene concerning the Aznarans' case. [Sep.St.No. 17.]

The undisputed evidence -- comprised of Armstrong's own admissions -- is that on August 26, 1991, while working for Greene, Armstrong provided the Aznarans with a declaration which

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was filed in their case. [Sep.St.No. 18] Armstrong has admitted that he drafted and signed the declaration, and that the declaration contains descriptions of some of his alleged experiences with and knowledge of the Church. [Id.] Armstrong also attached to the declaration, and purported to authenticate, copies of two documents which concern the Church, the Scientology religion, and/or other protected entities and individuals. [Id.] This declaration, and the attached documents, are violations of Armstrong's agreement, contained in ¶7(D), to maintain strict confidentiality concerning those matters.

 Armstrong Violated The Agreement By Providing A Declaration About His Experiences With The Church And Additional Documents To David Mayo, et al.

The facts are also undisputed that, on May 27, 1992,
Armstrong provided a declaration to attorneys for litigants David
Mayo, Church of the New Civilization, John Nelson, Harvey Haber,
Vivien Zegel and Dede Reisdorf, which was filed in the
consolidated cases of Religious Technology Center, et al. v.
Robin Scott, et al., and Religious Technology Center, et al. v.
Wollersheim, et al., United States District Court for the Central
District of California, Case Nos. CV 85-711 JMI (Bx) and CV 857197 JMI (Bx) ("the Scott case"). [Sep.St.Nos. 23-24.] The
Church and related entities - Church of Scientology of California
and Religious Technology Center - are plaintiffs in the Scott
case. In the declaration, Armstrong purports to authenticate an
earlier declaration which describes some of his alleged
experiences with the Church, as well as a portion of a transcript
which was ordered sealed in the earlier action between the Church

and Armstrong. [\underline{Id} .] These actions are separate and further violations of $\P7(D)$, triggering the liquidated damages remedy.

3. Armstrong Violated The Agreement By Giving Interviews To The Media

Armstrong also has admitted in deposition that on March 19 and 20, 1992, he gave interviews to various reporters, including a reporter for CNN. In his CNN interview, Armstrong discussed his alleged experiences with the Church of Scientology. The interview was videotaped, then broadcast repeatedly on CNN.

[Sep.St.No. 19-21.] In addition, Armstrong has admitted to a 1992 interview with William Horne, a reporter with The American Lawyer, in which he also discussed his Scientology experiences.

[Sep.St.No. 22.] These interviews constitute a breach of ¶7(D) of the Agreement.

III. ARGUMENT

A. <u>Armstrong's Liability For The Breaches May Be</u> <u>Determined By Summary Adjudication</u>

A motion for summary adjudication "shall be granted if all the papers submitted show that there is no triable issue as to any material fact and that the moving party is entitled to a judgment as a matter of law." Code Civ. Proc. § 437c(c).

Moreover, under a provision recently added to the Code of Civil Procedure:

- (n) For purposes of motions for summary judgment and summary adjudication:
- (1) a plaintiff or cross-complainant has met his or her burden of showing that there is no defense to a cause of action if that party has proved each element of the cause of action entitling the party to judgment on that cause of action. Once the plaintiff or cross-complainant has met that burden, the burden shifts to the defendant or cross-defendant to show that a triable issue of one or more material facts exists as to that

cause of action.

C.C.P. §437c(n)(1). As demonstrated below, and in the Separate Statement of Undisputed Facts, the Church has met its burden by proving, from Armstrong's own admissions, each element of the causes of action for breach of contract for which summary adjudication is sought. The burden, accordingly, shifts to Armstrong to demonstrate that a triable issue of material fact exists as to plaintiff's claims. Armstrong is simply unable to meet that burden. He has already admitted the facts of each of the claimed breaches, and does not dispute that his actions constitute a breach of the contract, so long as the contract is enforceable. Moreover, the Court of Appeal has already rejected each of his claimed affirmative defenses, finding that the Agreement was fully enforceable against him.⁶

Although Armstrong's "freedom of speech" is affected, it is clear that a party may voluntarily by contract agree to limit his freedom of speech. (See <u>In re Steinberg</u> (1983) 148 Cal.App.3d 14, 18-20 [filmmaker agreed to prior restraint on distribution of film]; <u>ITT Telecom Products Corp. v. Dooley</u> (1989) 214 Cal.App.3d 307, 319 [employee's agreement not to disclose confidential information; "it is possible to waive even First Amendment free speech rights by contract"]; <u>Snepp v. United States</u> (1980) 444 U.S. 507, 509, fn. 3 [book by CIA employee subject to prepublication clearance by

[Sep.St.No. 14.]

terms of his employment contract].)

The Court of Appeal described Armstrong's defenses as follows: "Armstrong did not deny the charged conduct but asserted the settlement agreement was not enforceable for various reasons, primarily that it was against public policy and that he signed it under duress." [Sep.St.No. 12.] The Court rejected all of those defenses -- including, inter alia, assorted constitutional claims, lack of mutuality, duress, actual fraud, constructive fraud, restraint of trade, unclean hands and obstruction of justice -- most without comment. [Sep.St.No. 13.] In rejecting Armstrong's First Amendment arguments, the Court stated:

Once the moving party has shown the nonexistence of a factual dispute as to a material fact, the party opposing the motion can avoid summary adjudication only by presenting evidence tending to demonstrate that there exists a triable issue of material fact. See, e.g., University of Southern California v. Superior Court (1990) 222 Cal.App.3d 1028, 1036, 272 Cal.Rptr. 264, 268-269.

Indeed, courts have found that summary adjudication can be particularly appropriate for a cause of action for breach of a written contract. "Where there is no conflict as to the terms of a contract, and where its provisions are not uncertain or ambiguous, its 'meaning and effect * * * and the relation of the parties to it thereby created * * * become a question of law to be decided by the court.'" Nizuk v. Georges (1960) 180 Cal.App.2d 699, 705, 4 Cal.Rptr. 565, 570 (citations omitted) (Liability under written employment contract properly decided on motion for summary judgment). Here, the parties agree on the existence of the written contract between them [Sep.St.No. 1], and there is no dispute as to its language or terms. evidence of the breaches consists of undenied facts presented by plaintiff and the admissions of the defendant himself. All that remains to be decided -- the meaning and effect of those terms -is a question of law for the Court.

B. The Undisputed Evidence Concerning These Three Causes Of Action Supports A Judgment For Plaintiff In The Combined Amount of \$150,000 In Liquidated Damages

To establish its claim for breach of contract, the Church must establish, by competent and undisputed evidence, "(1) the contract, (2) plaintiff's performance or excuse for nonperfor-

mance, (3) defendant's breach, and (4) the resulting damages to plaintiff." Reichert v. General Insurance Company of America (1968) 68 Cal.2d 822, 830, 69 Cal.Rptr. 321, 325, 462 P.2d 377.

Each of these elements is fully established by undisputed evidence as to plaintiff's Fourth, Sixth and Eleventh Causes of Action. Armstrong has fully identified and authenticated the Agreement [Ex. B to Sep.St.] and his signature thereon.

[Sep.St.No. 4.] He has acknowledged that he signed the Agreement while fully expecting to be paid the settlement figure which he and his attorney agreed upon, and he has admitted that he received that amount. [Sep.St.No. 7.] It is also undisputed that the amount was \$800,000, not a small or nominal sum.

[Sep.St.No. 8.] The payment of money to Armstrong's attorney is the sole consideration required of plaintiff pursuant to the Agreement, and it was fully paid within days of the signing of the Agreement. [Sep.St.Nos. 1,7.]

Armstrong's breaches have been detailed in Part II. C, supra, and are set forth, with their supporting evidence, in the accompanying separate statement. Each of the acts that constitute a breach has been admitted by Armstrong, either in his Answer to the Amended Complaint, in deposition, or both. The evidence chronicled in the separate statement demonstrates not one, but three separate, individual breaches of paragraph 7(D) of the Agreement.

The damages suffered by plaintiff by reason of Armstrong's breaches of paragraph 7(D) of the Agreement are also without dispute. As part of the Agreement, the parties settled on \$50,000 as liquidated damages, which would compensate plaintiff

for each breach of ¶7(D). Armstrong and his attorney agreed, when they signed the Agreement, that this was a reasonable amount. [Sep.St.No. 9.] Under California law, such a liquidated damages provision is presumed valid unless it is shown to be "unreasonable under the circumstances existing at the time the contract was made." Civil Code § 1671(b). Armstrong bears the burden of demonstrating that the provision was not reasonable under the circumstances existing when the contract was made. He has proffered no evidence of this, nor can he. The clause can, and must, be enforced. O'Connor v. Televideo System, Inc. (1990) 218 Cal.App.3d 709, 718, 267 Cal.Rptr. 237.

CONCLUSION

Armstrong has admitted to three separate breaches of the Agreement which require him to pay the Church a combined amount of \$150,000 in liquidated damages. There are no disputed issues of fact as to any of the elements of plaintiff's claims. Plaintiff is, accordingly, entitled to summary adjudication of its Fourth, Sixth, and Eleventh Causes of Action, and it is entitled to entry of judgment on those claims in the amount of \$150,000.

Dated: November 16, 1994 Respectfully submitted,

Laurie J. Bartilson BOWLES & MOXON

WILSON, RYAN & CAMPILONGO

Andrew H. Wilson

marew my writem

Attorneys for Plaintiff CHURCH OF SCIENTOLOGY INTERNATIONAL